Calendar No. 194

98TH CONGRESS
1st Session

SENATE

REPORT
No. 98–128

AMENDING THE SECURITIES EXCHANGE ACT OF 1934

MAY 18 (legislative day, [illegible] 16), 1983.—Ordered to be printed

Mr. D'AMATO, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany S. 1311]

The Committee on Banking, Housing, and Urban Affairs, reported the bill (S. 1311) to amend the Securities Exchange Act of 1934 to authorize amounts to be appropriated for the Securities and Exchange Commission for fiscal years 1984 through 1985, having considered the same, reports favorably thereon, and recommends that the bill do pass.

COMMITTEE DELIBERATIONS

The Subcommittee on Securities held hearings on March 25, 1983, and received testimony from the Securities and Exchange Commission. On May 18, the Committee by unanimous consent ordered S. 1311, to be reported to the Senate.

PURPOSE OF THE LEGISLATION

The bill would amend Section 35 of the Securities Exchange Act of 1934 (the "Exchange Act") to provide the Securities and Exchange Commission (the "Commission") with authorizations of $99,586,000 in fiscal year 1984 and $108,218,000 in fiscal year 1985.

THE NEED FOR THE LEGISLATION

During the years since the last authorization request in 1980, the value of public offerings registered with the Commission has risen 96 percent; the volume of shares traded on the exchange and over-the-counter has increased 82 percent; the number of shareholders has increased 13 percent; the number of registered broker-dealers has grown 20 percent; the number of investment companies has grown 37 percent;

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the assets of investment companies have increased 190 percent; complaints received by the National Association of Securities Dealers (NASD) have increased over 90 percent; and New York Stock Exchange watch alerts, issued when anomalous movements in a stock exceed predetermined parameters, have increased 77 percent.

It is only through automation efficiencies, regulatory reforms and increasing reliance on enhanced private sector self-regulation that the Commission has been able to accommodate its workload and maintain market integrity and investor confidence.

The Commission's authorization for fiscal year 1984 ($99,586,000) as reported by this Committee is $500,000 greater than the authorization requested by the Commission for fiscal year 1983, a modest increase given the heavy increase in its workload.

The Committee has determined that in light of this increasing workload the Commission requires an additional $500,000 above their request in order to staff the Commission at a level which is necessary to protect investors and preserve the integrity of our capital markets. The Committee based its decision on information provided from Senate and House hearings, as well as numerous discussions with Commissioners and Commission staff. The fiscal year 1984 authorization level reported by the Committee, though $0.5 million higher than that requested by the Commission, is still more than $7 million below the Commission's actual authorization for fiscal year 1983.

The Commission's total staff in fiscal year 1983 was 2,021. This Committee has authorized funds for fiscal year 1984 so that personnel may be increased by 23 to a total staff of 2,044. The Committee deems that 23 additional staff members should be hired and allocated to the Commission's Division of Enforcement.

As a result of our Nation's recent economic difficulties the Commission's Division of Enforcement is devoting an increased percentage of its resources to investigations and cases involving reporting of financial information. Central to the disclosure system established by the Securities Act of 1933 and the Securities Exchange Act of 1934 are accurate financial statements based on consistently applied generally accepted accounting principles and the full and fair disclosure of all material financial information. This type of information has a far greater impact on the judgments of investors than any other category of information disclosed by public companies. It is critical to the integrity of the disclosure process established by Congress that the Commission continues to have a strong enforcement presence where there is financial fraud.

Furthermore, the Commission's litigation workload has increased as more of those charged with violations of the securities law are prepared to litigate. Not only are the number of cases in litigation increasing, but also the dilatory and defensive tactics being employed by respondents is requiring a greater allocation of resources to litigation.

Finally, the Commission is supporting the criminal law enforcement of the securities laws. In an effort to increase the number of criminal prosecutions of violations of the securities laws, it is permitting its staff members to be deputized as Assistant United States Attorneys in

an effort to supplement the Department of Justice and the U.S. attorneys in their criminal efforts. In addition, the Commission assigns other attorneys, accountants and investigators to work with Federal criminal authorities. These criminal cases are often complex and difficult, and many criminal prosecutors are not familiar with the concepts and principles involved in the transactions in question. The knowledge and experience of Commission staff is often critical to the success of the criminal prosecutions. The Committee has determined that of the 23 additional staffers to be hired by the Commission and assigned to its Division of Enforcement, at least 3 of these additional staffers shall be assigned to criminal investigations.

The SEC authorization as reported by this Committee is for a 2-year period. The length of the authorization has been reduced from 3 years to 2 years in order for the Committee to fulfill its oversight responsibilities in light of the rapid changes taking place in our financial marketplace. In addition, the Commission will now be required to submit their budget estimate or request to the appropriate Congressional Committees simultaneously with their submission to the President or the Office of Management and Budget. This will increase the ability of the Appropriations Committee and the Oversight Committee to fully discharge their responsibilities.

The Committee's recommended authorization of $99.586 million is based on the Commission's responsibilities under current law. Should the Congress decide at a later date to assign additional responsibilities to the Commission, the Committee's recommended authorization levels would have to be increased as appropriate.

Section-by-Section Analysis

Section (1) subsection (3) authorizes $99,586,000 for fiscal year 1984, and $108,218,000 for fiscal year 1985.

Section (1) subsection (5) amends the Commission's budget procedure and directs the Commission to submit concurrently to the Congress any budget estimate or request that is submitted to the President or the Office of Management and Budget.

Section (2).—The Commission will apply any appropriations over $99,086,000 authorized by this Act to create at least 23 new staff positions in the division of enforcement. At least 3 of the new positions shall be utilized in the pursuit of criminal investigations of securities laws violations.

Regulatory Impact

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the committee reports that no increase in regulatory activity is expected to result from this bill.

Changes in Existing Law

In the opinion of the Committee, it is necessary to dispense with the requirements of section 4 of Rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 17, 1983.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing and Urban Affairs, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for a bill to amend the Securities Exchange Act of 1934 to authorize appropriations for the Securities and Exchange Commission for fiscal years 1984 through 1985, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

MAY 17, 1983.

1. Bill number: Not yet assigned.

2. Bill title: A bill to amend the Securities Exchange Act of 1934 to authorize appropriations for the Securities and Exchange Commission for fiscal years 1984 through 1985, and for other purposes.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing and Urban Affairs, May 16, 1983.

4. Bill purpose: This bill authorizes $99.6 million for fiscal year 1984 and $108.2 million for fiscal year 1985 to carry out the activities of the Securities and Exchange Commission (SEC). It would require the SEC to submit all budget requests to the Congress if also submitted to the President or the Office of Management and Budget. Fiscal year 1983 appropriations to date for the SEC are $88 million. The President is requesting $91.9 million in 1984.

5. Estimated cost to the Federal Government:

	Millions
Authorization level:	
Fiscal year:	
1984	$99.6
1985	108.2
1986	-----
1987	-----
1988	-----
Estimated outlays:	
Fiscal year:	
1984	90.6
1985	107.2
1986	9.7
1987	0.2
1988	-----

Including outlays from prior years' budget authority, outlays for the SEC are estimated to be $98.4 million in 1984 and $107.4 million in 1985, assuming appropriation of the authorized amounts.

The costs of this bill fall within budget function 370.

Calendar No. 197

98th Congress
1st Session

SENATE

REPORT
No. 98–131

BUREAU OF THE MINT AUTHORIZATION FOR FISCAL YEAR 1984

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

H.R. 2628

MAY 18 (legislative day, MAY 16), 1983.—Ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

11–010 O WASHINGTON: 1983

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COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

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Calendar No. 197

98TH CONGRESS
1st Session

SENATE

REPORT
No. 98-131

BUREAU OF THE MINT AUTHORIZATION FOR FISCAL YEAR 1984

MAY 18 (legislative day, MAY 16), 1983.—Ordered to be printed

Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

[To accompany H.R. 2628]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill H.R. 2628, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill as amended do pass.

SUMMARY OF THE LEGISLATION

As reported by the Committee, H.R. 2628 authorizes appropriations for the Bureau of the Mint for fiscal year 1984 for $49,588,000.

HISTORY OF THE LEGISLATION

For many years, the Bureau of the Mint had a permanent authorization for appropriations for salaries and expenses. This permanent authorization was changed to a yearly authorization in 1981.

H.R. 2628 was passed by the House of Representatives and sent to the Senate on April 26, 1983, and referred to the Committee on Banking, Housing and Urban Affairs immediately thereafter. The Committee agreed, by poll, to report the legislation with an amendment in the nature of a substitute. The amendment in the nature of a substitute provides the Bureau of the Mint with an authorization for appropriations of $49,588,000 for fiscal year 1984.

The Committee did not adopt a provision in the House bill which would require the Secretary of the Treasury to annually sell to the public, directly and by mail, sets of uncirculated and proof coins; and require the Secretary of the Treasury to solicit such sales through the use of the customer list of the Bureau of the Mint. The Department of

the Treasury opposes this provision, preferring current law which permits, but does not require, production of these coins. The Treasury points out that during World War II, and for a few years during the 1960's, no proof and uncirculated coins were produced because of other currency demands on the Bureau of the Mint. The Treasury Department prefers the flexibility provided by current law which would enable the Mint to halt production and sales of coin sets in times of coin shortage or emergency.

The Committee, noting the concerns of the Department of Treasury, will not require them to annually produce and sell proof and uncirculated coin sets. However, the Committee recognizes that uncirculated and proof coin sets are very popular with numismatists, and their sales have been a profitable operation for the Bureau of the Mint. Last year, the Mint discontinued selling uncirculated coin sets, explaining that personnel cutbacks required them to divert all remaining personnel to the production of circulating coinage. In the absence of a shortage of circulating coinage or other national emergency, the Committee believes that the Bureau of the Mint should produce uncirculated and proof coins. The Committee expects that the Office of Management and Budget will allocate a sufficient personnel ceiling to permit the Bureau of the Mint to carry out this task. This is, after all, a profitable operation to the Bureau of the Mint, and hence the federal government.

COST OF THIS LEGISLATION

The cost to the Government resulting from enactment of this legislation would be $49,588,000 to meet the salaries and other expenses of the Bureau of the Mint. The Congressional Budget Office analysis of this bill is contained in the following letter:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 18, 1983.

Hon. JAKE GARN,
Chairman, Committee on Banking, Housing and Urban Affairs,
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 2628, a bill to amend title 31, United States Code, to authorize appropriations for the Bureau of the Mint for fiscal year 1984, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

MAY 18, 1983.

1. Bill number: H.R. 2628.

2. Bill title: A bill to amend title 31, United States Code, to authorize appropriations for the Bureau of the Mint for fiscal year 1984, and for other purposes.

3. Bill status: As ordered reported by the Senate Committee on Banking, Housing and Urban Affairs, May 17, 1983.

4. Bill purpose: This bill authorizes the appropriation of $49.6 million to the Bureau of the Mint for fiscal year 1984. In addition, such additional sums as may be necessary for adjustments in salary, pay, retirement, other employee benefits and other nondiscretionary costs are also authorized. Currently, $47.6 million has been appropriated for fiscal year 1983. The President has requested an appropriation of $49.6 million for 1984.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1984	1985	1986	1987	1988
Authorization level:					
Specified (function 800)	49.6	.....	.....	.....	.....
Estimated (function 920)	1.8	.....	.....	.....	.....
Total	51.4	.....	.....	.....	.....
Estimated outlays:					
Function 800	38.2	11.4	.....	.....	.....
Function 920	1.7	0.1	.....	.....	.....
Total	39.9	11.5	.....	.....	.....

Including outlays from prior years' appropriations to date, total outlays would be $51.3 million in fiscal year 1984, assuming appropriation of the authorized amount.

Basis of estimate.—This estimate assumes that the amount authorized will be appropriated. It includes an estimated $1.8 million for adjustments in employee pay and benefits, based on CBO baseline assumptions for such increases. The estimate of outlays is based on historical spending patterns.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Judith Walker.

10. Estimate approved by: C. G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

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